

Cost-of-Living Lesson

- A student has just entered his/her senior year and is thinking about what to do after high school: college? work? travel? relax?
- **Things to consider:**
 - Living options: at home (with parents) or on own (small apartment, house, or dormitories if in college)
 - Eating habits: restaurants/fast food/Starbucks, etc. OR eat from home
 - Transportation: own car, walk/bike, carpool, public transportation
 - Using credit: companies often offer credit cards to high school graduates, but they usually have very high interest fees
 - Extras/Entertainment: after paying for housing, utilities (including phone, cable & internet), gas & groceries, is there enough to have some fun too?
- The following lesson presumes that the high school graduate chose to move out on his/her own and work. Additionally, he/she has opted to buy his/her very first car. You will need paper and pencil (for items in **yellow**); **the teacher will dictate the following:**
 - Suppose you (the high school graduate) make \$1000 every two weeks (gross) from your new job. That means you earn \$12.50 per hour.
 - Now, reduce that amount by 20% for taxes, social security, Medicare, and other fees that will be taken away from your paycheck. You are left with \$800 every two weeks or \$1600 per month (net). **You (the teacher) may want to take this opportunity to discuss the difference between gross and net to make sure everyone is clear.**
 - Answer Y/N: Is this enough money to live on each month? Explain your answer, citing at least three reasons for your opinion.
 - Pretend you have found an apartment or small house to rent for \$500 per month. **Subtract that from \$1600: how much is left? (\$1100).**
 - Answer Y/N: Is there enough money left over to pay the rest of your bills? List all the bills you can think of that you will need to pay each month.
 - **Teacher:** after students have had time to do this, list the bills on the board together and discuss (i.e. electricity, phone, gas (for heat), water/sewer/garbage, cable (TV) & internet).
 - Suppose all of these utilities cost you approximately \$300 per month. **How much do you have left now? (\$800).**
 - Now to the car you bought: Your payment is \$200 and your insurance is \$80 each month. **How much is left for gasoline and groceries? (\$520).**
 - Plenty of money leftover right? But what about that credit card you signed up for and have been charging on? Oh, and the savings account you promised to put \$100 into each month? What happens if a major event occurs and you need a lot of cash to take care of it (i.e. your engine blows)? Will there be enough left over? (Remember you still haven't paid for gasoline and groceries this month).
 - Consider that right out of high school and with no formal training/education, you probably WON'T land a job making \$12.50/hour. Consider, also, that minimum wage is only \$6.55/hour. That means a person working a minimum wage job will only make about \$1048/month GROSS (before all the taxes are taken out). Yet the bills will all stay the same...the cost of living doesn't get cheaper just because you make less money.
 - A college student spends about 20-25 hours per week in school. **In your opinion, would you rather work 40 hours per week at minimum wage or spend 25 hours per week in a classroom? Why?**
 - A person who spends ten years at a minimum wage job could make \$10-11/hour by the end of ten years. **Based on the student who made \$12.50/hour, is that enough to live on? (Y/N)**

- A person who spends four years in school (1st Bachelor's degree) will make between \$45,000 and \$53,000 his/her first year out of college: that is between \$3750 and \$4400 each month!
- **Teacher:** point out that in addition to a Bachelor's degree, there are many options for high school graduates including certificate degrees that can take anywhere from 6 months to one year to complete; two-year degrees (Associates degrees); on-the-job training, etc. A student is not limited to the 4-year post-secondary education option.
- **Closing activity:** have students write about the path he/she plans to choose after high school, including the reason(s) for his/her choice. Finally, have them write down what they need to do NOW, during high school, and after graduation to make those plans happen.